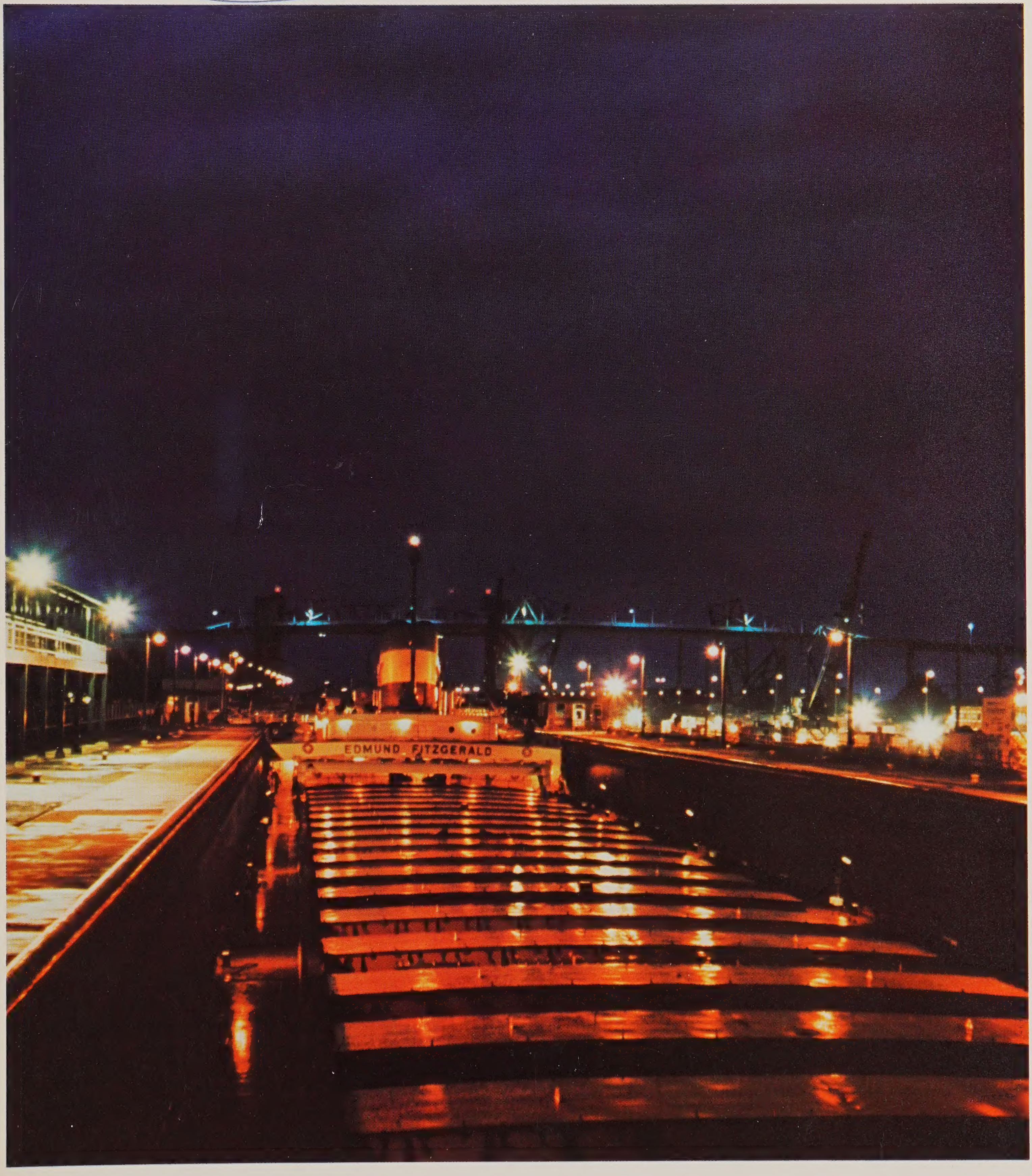
OGLEBAY NORTON COMPANY ANNUAL REPORT · 1969



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Cover Photo: Steamer Edmund Fitzgerald locking through Sault Ste. Marie Locks. In addition to holding the season cargo record from the Head of the Lakes of 1,212,550 gross tons, it set a new single-cargo record in 1969 of 27,402 gross tons.

OGLEBAY NORTON COMPANY ANNUAL REPORT · 1969

FINANCIAL HIGHLIGHTS

Sand storage yard — Millwood Plant, Central Silica Company.

	1969	1968
Gross income	$66,251,151	$64,382,213
Net income	5,355,350	5,065,581
Cash dividends paid	2,445,366	2,309,553
Per common share(1)		
Net income	4.83	4.53
Cash dividends paid(2)	2.10	2.30
Book value per common share	56.06	52.94
Working capital	27,212,954	25,224,290
Total assets	84,072,272	86,259,108
Long-term liabilities	427,000	445,493
Stockholders' equity	65,177,215	62,721,481
Depreciation, amortization and depletion charged to costs and expenses	3,526,887	3,462,557
Expenditures for property, plant and equipment, including investment in the Eveleth taconite project	4,444,168	5,032,228

(1) *Per share figures, based on the average number of common shares outstanding during each year, have been restated as a result of poolings of interests with merged companies and are computed after provision for annual preferred dividends.*

(2) *Includes dividends paid by subsidiaries prior to acquisition by the company.*

TO OUR STOCKHOLDERS

In reporting new records for our company, as summarized on the preceding page, we wish to point out that they could have been even better if each segment of the business had fulfilled our expectations. With our diversity of activity, it would be unusual to achieve coincidental maximum performance throughout the company, but that is our continuing objective as we strive to reach our potential. Later in this report, we include descriptions of the situations that prevailed in each segment of the company's activity.

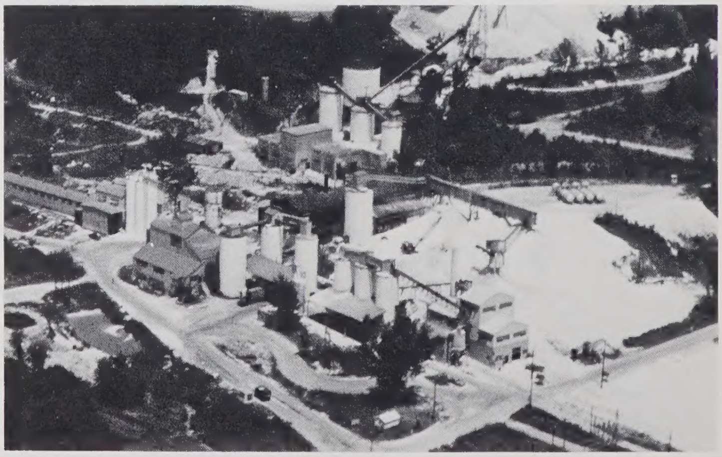
Our experience reflected the high level of domestic and world-wide industrial activity. Steel production set a new record aided by a reduction of foreign steel imports and an increase in our exports, but it is not clear how much of this improvement in foreign steel trade resulted from strong demand in foreign markets and how much is attributable to self-imposed foreign steel export controls induced by the efforts of our governmental agencies. However, there was strong demand for all of our products and services including Great Lakes vessel capacity and domestic iron ore, accentuated by a substantial reduction of Canadian production due to lengthy strikes at the Canadian mines and steel companies.

A long-overdue partial recognition of the imbalance of economic factors resulted in an increase in the iron ore cargo rate for vessel transportation that became effective August 1, and an increase in the price of iron ore is to be applicable for 1970 deliveries. Upward price adjustments also occurred during the year for many of the other products we produce and sell and the services we render. None of these were applicable for the year as a whole and their full significance will not be reflected until 1970. Upward cost changes also occurred in wages and in every category of purchases. The interplay of volume, prices, costs and efficiency is a complicated phenomenon of several uncertain variables, but we think we should be able to maintain our profit margins for the company as a whole.

Along with the beneficial effects, the high level of industrial activity also brought with it a scarcity of dependable skilled and unskilled labor and a high level of absenteeism, labor turnover, and unauthorized work stoppages at certain operations which tended to nullify our efforts to increase efficiency through capital improvement.

Effective August 29, 1969, T&B Foundry Company combined with our company through the exchange of 40,000 shares of 5% convertible preferred stock for all of the stock of that company. This gray iron foundry operation has had an impressive trend in recent years and has further potential which we are in the process of developing. Our statements include the pooling of T&B Foundry Company.

Cash flow from operations, plus the federal income tax benefit from guidelines depreciation used only for tax purposes, and the investment credit less capital expenditures



Quartzite is beneficiated at Central Silica Company's Glass Rock Plant for the glass, steel foundry and ceramic industries.

for capital asset replacement and improvement, increased working capital by $1,988,664 to $27,212,954. These figures also reflect our continuing modest purchases of our company's common stock as it became available on the open market for possible use in acquisitions, in anticipation of the conversion of outstanding convertible preferred stock and for other corporate purposes. During the year, 12,200 shares were acquired at an average price of $37.23 per share.

We increased our research and mineral exploration activities, and as an adjunct to improving the supply of fluorspar, we began construction of a briquetting plant at Brownsville, Texas, to process Mexican as well as domestically produced fluorspar. This plant should be in operation by March, 1970. We have also financed development of new sources of supply.

In January, 1970, we contracted to buy the self-unloader Steamer Purnell for delivery March 15. This recently converted 15,000-ton carrier will upgrade our self-unloader fleet, relieving some of the strain resulting from the strong demand for this specialized service and permit us to phase out older, smaller vessels.

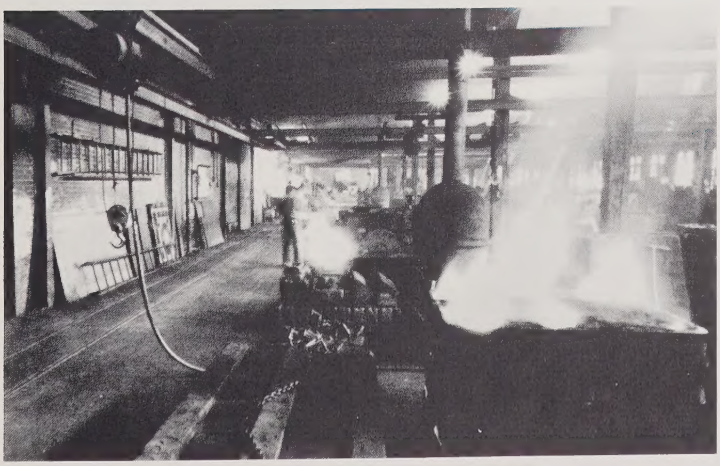
The net effect of the Tax Reform Act of 1969 will not be significantly detrimental this year with the reduction of the surtax offsetting unfavorable changes. However, the elimination of the investment credit will make capital investment decisions more difficult and does not appear to be in the best long-term interest of the national economy.

Several other improvements in our facilities are commented on more fully in the section of this report devoted to operations.

In fulfillment of a long-held desire, Mr. Sloan, company President since 1959, after thirty-five years of service, has announced his intention to take early retirement and be relieved of executive responsibilities to become effective May 31, 1970. In anticipation of this move, several adjustments in the organizational structure are now under way, and we are well situated from the standpoint of capable, experienced younger men well qualified to carry on the company's operations and future development.

Courtney Burton
Chairman

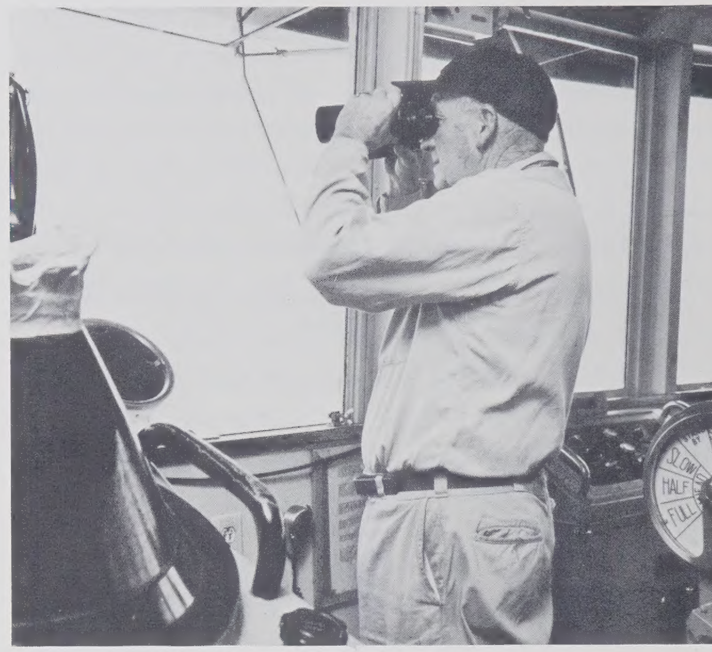
E. W. Sloan
President



T&B Foundry Company is a fully operating gray iron foundry with extensive manufacturing facilities in Cleveland, Ohio.

OGLEBAY NORTON COMPANY · OPERATIONS

columbia transportation division



The demand for domestic iron ore to sustain a high level of steel operations was further strengthened by the reduced supply from Canadian producers who suffered a prolonged strike. Fortunately, weather conditions permitted operation of bulk vessels well beyond the normal season closing. This, coupled with high water levels, increased load lines and a 15¢ per ton increase in the iron ore rate effective August 1, resulted in a new high record for ore deliveries and earnings for this segment of the fleet.

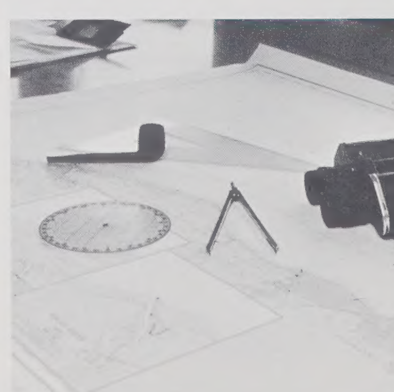
Similarly, strong demand and a prolonged seasonal operation benefited the self-unloader vessels, although a severe shortage of coal and railroad equipment at times presented unusual scheduling problems. The crane vessels also performed well.

The self-unloader and crane vessel services received no general rate increase to offset rising costs. We plan to adjust rates for these services in 1970.

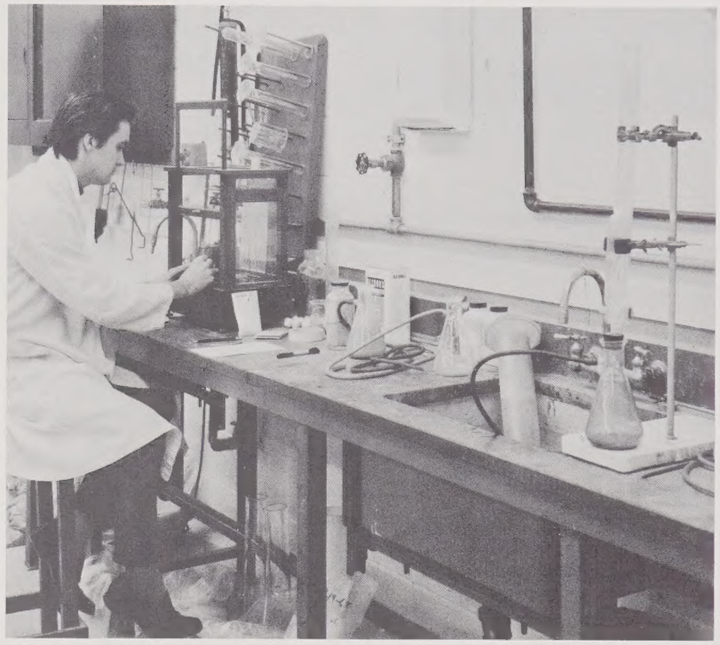
The acquisition of the self-unloading Steamer Frank Purnell will materially improve the capability and profitability of the self-unloader fleet. She fits very well in our trades and permits more versatility in scheduling the fleet as a whole so that we may more nearly approach the assignment of each vessel to the business for which it is best suited. Rarely is a vessel of this class and quality available, and her acquisition is much the most attractive alternative for upgrading this segment of our business.

In addition to the customary extensive maintenance program, we are this winter installing bow thrusters on the Steamers Armco and Reserve. We will then have ten vessels so equipped for improved safety and efficiency.

Inventories of commodities at customers' plants will generally be at low levels at the opening of navigation. An early start is anticipated, and if the general economy does not recede more than present forecasts indicate, 1970 should be another very good year for this division.



All vessels of our Columbia Transportation Division are equipped with the most modern safety equipment. Several of our vessels have received safety awards from the National Safety Council.



Ferro's modern and extensive research facilities complement its plants in Cleveland, Chicago and Hamilton, Ontario, Canada.

ferro engineering division

Demand was strong for Hot Tops and hot-topping material consistent with the high level of steel operations, and the acceptance of the new "Quickline" hot-topping method continues in a very favorable trend.

We have had and continue to have manufacturing problems with "Ferroboard", a basic component of the "Quickline" assembly. Equipment redesign and adjustments, absenteeism, shortage of labor and a shift in customer preference from our traditional products to the new ones before we have attained operating efficiency all combined to reduce profit margins. Wage and supply costs continue to increase, but it wasn't until early October after completion of labor negotiations that price changes for our products became effective. The prolonged strike at Canadian steel companies impaired the ability of our recently established plant at Hamilton, Ontario, to realize its expectations.

This division is still undergoing the considerable pain of accommodating plant enlargements, new process development and a shift in customer demand preference before we are really ready for it. We remain confident that the changes occurring are in the right direction, but it will require more time in adjusting to these changes than we had anticipated.

With the expected reduction in steel operations in 1970, we may look for an easing of demand for our products. However, with a full year of higher prices and a considerable improvement in operating efficiency, which should continue to increase as the year progresses, we expect this division to do much better.

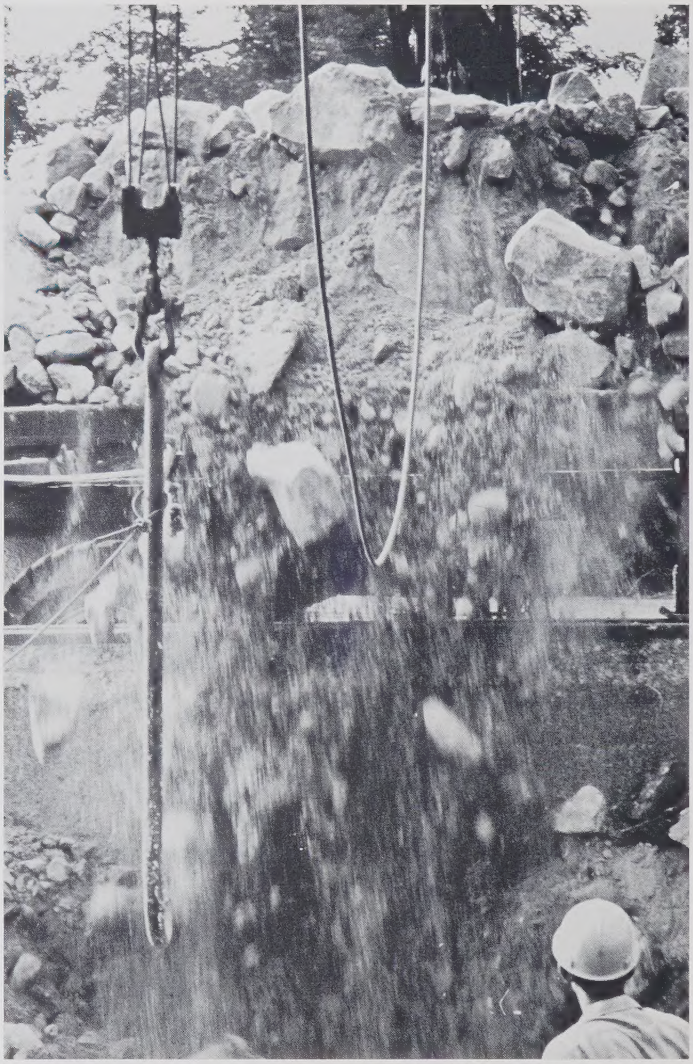
mining / quartzite and industrial quartz sands

The three operating divisions of Central Silica Company operated at near capacity levels throughout the year, and the combination established new high rates of production and profits. This was a most commendable performance.

With few exceptions, notably the disappointing demand for window glass and the prolonged strike at a company producing fluorescent neon lighting tubes, other industries served operated at high levels. This permitted our divisions to produce at operating rates near peak efficiency. Prices were increased moderately during the year, believed adequate to offset cost changes.

New shipping and storage facilities are now under consideration for installation at one operation in 1970 which should better serve customers and improve efficiency.

The outlook for 1970 parallels the forecasts for the general economy and particularly the glass, iron and steel and ceramic industries. A modest reduction from the 1969 record may occur.



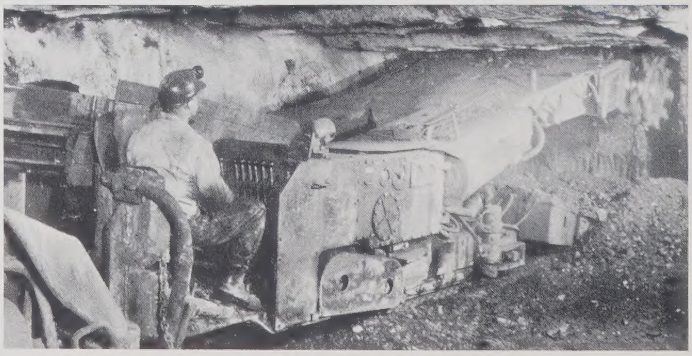
Large tandem dump trailers unload crude silica sandstone into primary crusher—Glass Rock Plant.

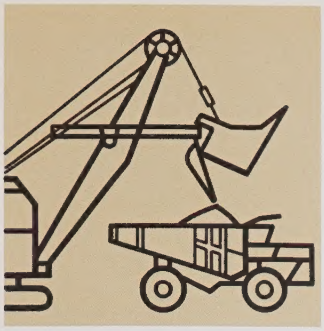
mining / coal

This industry was beset with a continuation of the labor and labor-related problems that have plagued it in recent years, accentuated by intensified labor union politics. Sporadic work stoppages, absenteeism, labor shortage and general unrest severely curtailed production and induced inefficiencies at our mines. Although price adjustments substantially covered wage rate and supply cost increases, they should not have been expected to offset these inefficiencies that substantially curtailed production, nor did they.

This industry was also confronted with new laws and

Continuous miner in operation at our Norton Mine.





regulations relating to health and safety, not only at the mines but also in the use of its product, which are very burdensome, but the effects are impossible to assess at this time.

Coal shortages also affected our barge-loading facility on the Ohio River at Ceredo, West Virginia.

The outlook for 1970 is not very encouraging, primarily because of the uncertainty as to labor and the apparent exceedingly high cost of new health and safety regulations, but we can expect some improvement if labor becomes more reliable.

mining / iron ore and other minerals

Eveleth Taconite Company again established a new production record which it has done each year since it became operational in 1965. This fine performance — about 16% over design capacity — was achieved with no significant modification of its facilities and with no adverse effect on the quality of the product.

Although the price of taconite pellets has been unchanged since 1962, contracts for 1970 shipments are at an increased price which will partially offset cost changes that have occurred and will continue to rise.

We have under consideration certain modifications and additional equipment which should increase production by about 10% at Eveleth. We are also investigating the elements of a major expansion at Eveleth which would double the capacity, but the timing of such a development is dependent upon the rate at which steel company demand increases and the competitive availability of ore from other sources. We believe that the incremental economics of our expansion capabilities compare very favorably with other competitive propositions and should be attractive to consumer investors when either their requirements increase or their existing sources become depleted if the equitable tax climate in Minnesota continues to prevail. Similar considerations are implicit in the prospective development of other reserves of taconite ore we now have under control in Minnesota.

Loading crude taconite ore — Thunderbird Mine, Eveleth Taconite Company.

We continue our mineral exploration activities in North America and Australia. Many prospects have been examined and exploratory drilling has been carried on at several locations. It is typical of this endeavor that, although mineralization is abundant, most prospects prove to be uneconomic under present conditions for a variety of reasons. At this time we have no exploitable opportunities to report.

Construction of a 50,000-ton per annum capacity fluorspar briquetting plant at Brownsville, Texas, will be completed by March, 1970. This plant will process fine powdery fluorspar concentrate mostly of Mexican origin into form and size highly desirable for use in the production of steel. The shipping product will move by barge to consuming areas, although rail deliveries are also available. This operation will materially enhance our substantial position in the industry. We will initially buy our raw material from others, but we are active in attempting to develop reliable sources of supply for a large part of our requirements. To this end and to otherwise strengthen our exploration efforts, we have established a Mexican affiliate and other Mexican relationships because we believe great opportunities exist in that country for mineral development for domestic use in its rapidly expanding economy as well as for export.

coal sales

Market demand was very strong for all types of coal but the supply was very tight, reflecting the curtailment of production due to labor problems throughout the industry. In view of these conditions, our results were very good, aided by improved margins resulting from generally higher prices which largely offset the restricted volume. We were fairly successful in negotiating price changes adequate to cover wage and supply cost increases for our own mines as well as for other producers for whom we sell. We expect that much of our effort in 1970 will be involved in price negotiations as the impact of new health and safety laws and other inflationary elements become effective.

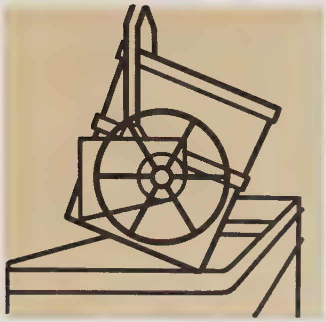
Strong demand and short supply will probably again be the climate for 1970. We are active in seeking new and enlarged sources of supply and are having some success in this direction, although we have not yet been able to fully replace former sources that have become captive and are no longer available for the market.

We have reorganized and streamlined this department, so we believe that 1970 will be a good year even though volume will probably be reduced.

ore and mineral sales

With the high rate of steel production and the lengthy strike at Canadian iron ore operations, the demand for domestically produced ore strengthened as the year progressed. We

Unloading Oglebay Norton fluorspar for transshipment via lake vessel to customer's plant.



sold our share of the Eveleth Taconite Company production and also a substantial tonnage for other producers for whom we act as agent. Sales of fluorspar were limited only by the sources of supply.

We have also contracted to sell our portion of Eveleth's 1970 production at increased prices. With an expected reduction in steel operations in 1970, we may not equal the 1969 volume of ore shipments. We expect fluorspar to again be in short supply, but with the Brownsville, Texas, plant in operation for most of the year and with our other efforts in Mexico beginning to show favorably, we think that 1970 results should be close to those achieved last year.

gray iron foundry

T&B Foundry, which was combined with our company August 29, 1969, is a gray iron jobbing foundry, located in Cleveland, which was established over one hundred years ago. It manufactures castings for a variety of industrial uses, including machine tools, agricultural equipment, pollution control, air conditioning, heating, hot-topping and building industries. The company is about halfway through a four-phase modernization and expansion program, including three pollution control systems.

1969 was an exceptionally good year. The outlook for 1970 is also very good with strong demand and with capacity increases becoming available during the year to better serve the market. We are very pleased with this new addition to our company and believe that it will be a very valuable and growing adjunct.

T&B Foundry Company molder preparing sand mold — one of many steps necessary in the manufacture of precision castings.

dock operations

Overseas cargo tonnage was down generally at all lake ports, and contrary to our earlier expectations, we also experienced a substantial reduction at both Toledo and Bay City. Steel imports were off because of very strong demand for steel in foreign markets and perhaps to some extent because of voluntary foreign trade restraints. Lake ports are discriminated against by the railroads with preferential rates to east coast and gulf coast ports. This condition is being strenuously protested as well as United States government policy on the overseas movement of military cargo which works to the disadvantage of the lakes.

The Saginaw dock, on the other hand, experienced an exceptionally fine year due largely to the unexpected substantial increase in the movement of export scrap iron and steel.

While we expect modest improvement in general cargo overseas trade, we do not look for much change in import steel and do not expect scrap exports to again attain 1969 levels.

Loading structural steel by means of one of six heavy-lift cranes at our Toledo Overseas Terminals Co. dock.

OGLEBAY NORTON COMPANY & SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 1969 and 1968.	1969	1968
Net sales of coal, iron ore, quartzite and other products	$42,473,418	$41,125,609
Lake transportation and related revenues	22,648,977	22,149,168
	65,122,395	63,274,777
Cost of goods sold	35,834,510	34,752,545
Operating expenses	16,855,390	16,900,695
	52,689,900	51,653,240
Gross profit	12,432,495	11,621,537
Sales commissions, management and other fee income	1,128,756	1,107,436
	13,561,251	12,728,973
General, administrative and selling expenses	6,042,625	5,841,353
Profit from operations	7,518,626	6,887,620
Other income:		
Dividends and interest	836,340	603,347
Proceeds from sales of ore rights, royalties and miscellaneous	543,561	912,737
	1,379,901	1,516,084
Interest expense	193,177	——
	1,186,724	1,516,084
Income before federal income tax	8,705,350	8,403,704
Federal income tax (Note 6):		
Currently payable	2,916,344	2,684,356
Deferred	433,656	653,767
	3,350,000	3,338,123
Net income	$ 5,355,350	$ 5,065,581
Income per common share:		
On average number of shares outstanding during each year, after provision for preferred dividends	$ 4.83	$ 4.53
Assuming conversion of preferred shares at beginning of year	$ 4.49	$ 4.24

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 1969 & 1968

ASSETS	1969	1968
Current:		
Cash	$ 3,160,760	$ 3,175,596
Marketable securities, at cost plus accrued interest (approximates market)	14,374,750	15,886,960
Notes and accounts receivable, less allowance for uncollectible accounts:		
Customers	10,467,554	10,220,671
Other	1,402,884	1,783,026
	11,870,438	12,003,697
Inventories, at the lower of average cost or market:		
Coal and other products	2,244,771	2,134,983
Operating supplies and materials	1,371,998	1,267,037
	3,616,769	3,402,020
Federal income tax relating to production payments applicable to future period	——	1,765,500
Prepaid expenses:		
Chartered vessel rental	413,250	413,250
Insurance, taxes and other expenses	906,249	764,262
	1,319,499	1,177,512
Total current assets	34,342,216	37,411,285
Investments, at cost (Note 2)	5,972,942	6,247,746
Noncurrent receivables	628,261	320,946
Properties and equipment, at cost:		
Vessels and vessel equipment	40,501,744	40,302,031
Coal properties and equipment	14,940,315	13,675,229
Other properties and equipment	13,483,088	10,759,923
	68,925,147	64,737,183
Less accumulated depreciation, amortization and depletion	29,742,948	26,858,118
	39,182,199	37,879,065
Construction in progress	1,559,610	2,043,702
Leasehold improvements, less amortization	1,269,841	1,083,461
	42,011,650	41,006,228
Deferred charges:		
Pension plan past service costs	727,144	803,030
Advanced royalties and other charges	390,059	469,873
	1,117,203	1,272,903
	$84,072,272	$86,259,108

The accompanying notes are an integral part of these financial statements.

LIABILITIES	1969	1968
Current:		
Accounts payable, trade	$ 3,347,123	$ 3,053,562
Accrued expenses:		
Payrolls and other compensation	1,831,072	1,504,323
Pension fund contributions (Note 3)	655,912	303,855
Property and social security taxes	425,108	412,922
Other accrued expenses	665,074	483,582
Amounts withheld from payrolls and taxes collected from customers	89,399	246,811
Federal income taxes	—	2,176,239
Production payments (Note 5)	—	4,000,000
Other payables	115,574	5,701
Total current liabilities	7,129,262	12,186,995
Long-term liabilities in connection with closed mine	427,000	445,493
Total liabilities	7,556,262	12,632,488
Deferred federal income taxes including investment credit (Note 6)	11,338,795	10,905,139
Total liabilities and deferred federal income taxes	18,895,057	23,537,627
STOCKHOLDERS' EQUITY		
Preferred stock, without par value, stated value $50 per share, authorized 400,000 shares; issued 188,950 shares (Notes 1 and 4):		
Series A, 5½% cumulative convertible, 148,950 shares	1,353,750	1,353,750
Series B, 5% cumulative convertible, 40,000 shares	407,350	407,350
Common stock, par value $1 per share; authorized 3,000,000 shares; issued 1,019,951 shares	1,019,951	1,019,951
Additional capital (no change during the year)	7,034,569	7,034,569
Earnings retained in the business (Note 1)	56,281,645	53,371,661
	66,097,265	63,187,281
Less common shares in treasury, 25,900 in 1969 and 13,700 in 1968, at cost	920,050	465,800
	65,177,215	62,721,481
	$84,072,272	$86,259,108

The accompanying notes are an integral part of these financial statements.

OGLEBAY NORTON COMPANY & SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31, 1969 and 1968.	1969	1968
Balance, January 1	$53,371,661	$50,615,633
Net income for the year	5,355,350	5,065,581
	58,727,011	55,681,214
Cash dividends:		
On Oglebay Norton Company common shares $2.00 per share in 1969 and $1.80 in 1968	2,002,902	1,811,253
On shares of subsidiary companies pooled, prior to the exchange of Oglebay Norton Company preferred shares in 1969 and 1968	105,375	498,300
On Oglebay Norton Company preferred shares, Series A $2.0625 per share	307,209	—
On Oglebay Norton Company preferred shares, Series B, $.747 per share	29,880	—
	2,445,366	2,309,553
Balance, December 31	$56,281,645	$53,371,661

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements include the accounts of the Company and all of its subsidiary companies. During 1969, the Company acquired two companies for which it issued 40,000 shares of 5% cumulative convertible preferred stock Series B (see Note 4). The transactions were treated for accounting purposes as poolings of interest and accordingly, the accompanying consolidated financial statements have been restated to include the accounts of these companies for the years 1969 and 1968. As a result of the poolings, consolidated retained earnings as of January 1, 1968 increased $587,286 and net income for 1968 increased $298,067 over amounts previously reported.

2. Investments include $5,870,042 and $6,174,856 at December 31, 1969 and 1968, respectively, representing a 15% interest in Eveleth Taconite Company which is 85% owned by another company. The investment is stated at cost which is the equity in underlying net assets. Eveleth has no income as the stockholders reimburse it for all costs incurred in proportion to their stock ownership, and the production of the mine is taken by the stockholders in like proportion.

3. The Company and its subsidiaries have several non-contributory pension plans covering substantially all of their employees. The total pension expense for 1969 and 1968 amounted to $749,000 and $530,000, respectively, which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 25 years. Prepayments for past service on a plan for salaried employees in prior years resulted in payments in 1969 and 1968 being less than the amounts charged to expense. With respect to the other plans, current payments equal the amounts charged to expense. The actuarially computed values of vested benefits at December 31, 1969 have been funded or accrued.

The Company also pays into a union plan which provides pension and other benefits for hourly-rated employees at its coal mines. Payments are based upon a specified rate per ton of coal produced, and amounted to $733,786 in 1969 and $795,000 in 1968.

4. The preferred stock is issuable in series and the Board of Directors is authorized to fix the number of shares and designate the terms of each issue.

Series A and B shares are entitled to one vote per share and the shares at the option of the holder, at any time, may be converted into common stock at the conversion price in effect at the conversion date (currently share for share). These shares are redeemable at the option of the Company subsequent to December 31, 1976 at $50 per share plus accrued dividends, and are entitled to a similar amount in the event of liquidation.

Dividends are cumulative and payable quarterly at an annual rate of $2.75 per share for Series A and $2.50 for Series B.

5. The Company sold a portion of its future coal production in 1968. The revenue and applicable cost and expenses are reflected in the statement of income for 1969 as the coal was produced in that year.

6. For federal income tax purposes, the Company's deductions for depreciation, pension expense and certain other costs are computed differently than the amounts charged in the accounts for such costs. Amounts equal to the resulting tax reductions are charged to income (as federal income tax) and credited to the reserve for deferred federal income taxes. The deferred taxes are credited to income (as federal income tax) in periods when depreciation, pension expense and certain other costs charged in the accounts exceed the amounts deductible for tax purposes.

The investment credit resulting from equipment acquisition is being deferred and taken into income over the average productive lives of the related equipment.

7. The Company has chartered a bulk cargo vessel at an annual charter rental of $570,000 under a charter expiring in 1983.

Outstanding commitments for purchase of properties and equipment amounted to approximately $7,520,000.

8. Depreciation, amortization and depletion charged to costs and expenses for the year 1969 and 1968 amounted to $3,526,887 and $3,462,557, respectively. The Company provides depreciation using the unit of production method for mining properties and equipment and the straight-line method for all other properties and equipment.

ACCOUNTANTS' REPORT

To the Board of Directors of
Oglebay Norton Company

We have examined the consolidated balance sheet of Oglebay Norton Company and its subsidiary companies as of December 31, 1969 and the related consolidated statements of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the company for the year 1968.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Oglebay Norton Company and its subsidiary companies at December 31, 1969 and 1968 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery
Cleveland, Ohio, February 13, 1970

TEN YEAR SUMMARY

	1969	1968	1967	1966
Gross income	$66,251,151	$64,382,213	$65,114,495	$68,052,498
Income before federal income tax and extraordinary items	8,705,350	8,403,704	8,287,406	8,739,346
Income before extraordinary items	5,355,350	5,065,581	4,826,129	4,814,346
Extraordinary items, less applicable taxes	—	—	2,844,798	—
Net income	5,355,350	5,065,581	7,670,927	4,814,346
Cash dividends paid	2,445,366	2,309,553	2,317,516	1,529,927
Net income invested in the business	2,909,984	2,756,028	5,353,411	3,284,419
Number of stockholders at year end	1,302	1,342	1,360	1,333
Preferred shares outstanding at year end	188,950	188,950	148,950	—
Common shares outstanding at year end	994,051	1,006,251	1,006,251	1,019,951
Per common share*				
Income before extraordinary items	4.83	4.53	4.37	4.72
Extraordinary items, less applicable taxes	—	—	2.82	—
Net income	4.83	4.53	7.19	4.72
Cash dividends paid	2.10(3)	2.30(3)	2.30(3)	1.50
Book value per common share	56.06	52.94	51.20	49.88
Current ratio	4.82	3.07	3.67	2.15
Stockholders' equity to total liabilities ratio	8.63	4.97	6.81	3.96
Working capital	27,212,954	25,224,290	21,887,784	11,888,284
Total properties — net	42,011,650	41,006,228	39,541,675	43,180,893
Total assets	84,072,272	86,259,108	77,887,617	74,361,552
Long-term liabilities	427,000	445,493	477,518	2,515,536
Stockholders' equity	65,177,215	62,721,481	58,970,817	50,878,263
Depreciation, amortization and depletion charged to costs and expenses	3,526,887	3,462,557	3,580,864	3,670,312
Expenditures for property, plant and equipment, including investment in the Eveleth taconite project	4,444,168	5,032,228	3,450,002	4,547,849

** Years 1969 and 1968 have been restated as a result of poolings of interests with merged companies and are computed after provision for annual preferred dividends. Per share figures have been adjusted for a 2% stock dividend paid in 1962, and are based on the average number of common shares outstanding during each year.*

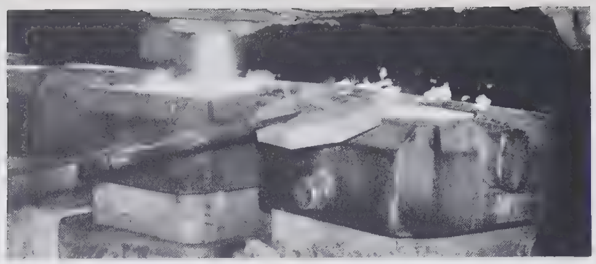
1965	1964	1963	1962	1961	1960
$58,417,358	$55,353,266	$53,830,689	$53,147,488	$54,762,424	$53,109,474
7,451,491	6,805,890	5,555,283	4,386,056	5,580,675	4,318,997
4,051,491	3,605,890	2,890,283	2,226,056	3,055,675	2,443,997
—	—	— (1)	— (1)	—	—
4,051,491	3,605,890	2,890,283	2,226,056	3,055,675	2,443,997
1,325,936(2)	1,223,941(2)	1,019,951	1,019,951	1,000,080	1,000,080
2,725,555	2,381,949	1,870,332	1,206,105	2,055,595	1,443,917
1,337	1,456	914	906	815	455
—	—	—	—	—	—
1,019,951	1,019,951	1,019,951	1,019,951	1,019,951	1,000,080
3.97	3.54	2.83	2.18	3.00	2.40
—	—	— (1)	— (1)	—	—
3.97	3.54	2.83	2.18	3.00	2.40
1.30(2)	1.20(2)	1.00	1.00	1.00	1.00
46.66	43.79	41.46	40.31	41.09	39.08
2.33	2.20	2.42	3.29	2.24	1.92
3.95	4.92	4.22	3.02	4.06	3.78
9,917,392	9,510,807	9,441,162	11,591,516	10,410,252	8,421,531
42,276,316	39,261,082	39,243,272	40,791,330	38,271,411	38,371,690
69,092,991	61,331,238	58,574,777	60,258,918	59,068,923	57,303,119
4,586,856	1,151,928	3,367,059	8,551,743	1,928,597	1,427,593
47,593,844	44,664,298	42,282,349	41,118,236	41,911,209	39,858,830
2,440,106	2,702,402	2,693,262	2,967,614	2,813,038	2,603,963
10,324,015	5,329,993	2,324,436	8,736,193	3,082,230	4,571,867

(1) Excludes extraordinary deductions of $502,229 in 1963 and $1,999,078 in 1962 equal to $.49 and $1.96 per share, respectively. These amounts were charged to retained earnings in those years.

(2) Includes an extra dividend of $.20 per share declared in each of the years 1964 and 1963, paid in January of the following years.

(3) Includes dividends paid by subsidiaries prior to acquisition by the company.

Heavy-duty shovel loading crude silica sandstone — Glass Rock's open-pit mine.



Ferro's C&D Hot Top Covers in use in customer's steel plant.

DIRECTORS

Burton, Courtney
Charman, Walter M., Jr.
Correa, Edgardo A.
Dwyer, John J.
Gale, Robert I., Jr.
Harrison, Arthur F.
Hutchinson, J. Gordon
Karch, George F.
Mitchell, Donald W.
Nance, James J.
Rankin, Alfred M.
Richey, Herbert S.
Sedgwick, Ellery, Jr.
Sloan, Edward W., Jr.
White, Fred R., Jr.

Honorary Director — Rankin, Henry P.

OFFICERS

Courtney Burton .... Chairman of the Board

Fred R. White, Jr. .... Vice Chairman of the Board and Senior Vice President

Edward W. Sloan, Jr. .... President

John J. Dwyer .... Executive Vice President

Walter M. Charman, Jr. .... Vice President-Ferro Engineering Division

Albert B. Cozzens .... Vice President-Vessel Operations

Arthur B. Rathbone .... Vice President-Ore Sales

Renold D. Thompson .... Vice President-General Manager, Ferro Engineering Division

Gordon C. Nichols .... Secretary

Charles W. Ferris .... Treasurer

Alfred F. Savage .... Assistant Vice President-Mining

Robert A. Thomas .... Assistant Secretary and General Counsel

Leonard M. Bell .... Controller

Lytton S. Beman, Jr. .... Assistant Treasurer

Walter L. Gonska .... Assistant Treasurer

Arthur W. Juergens .... Assistant Treasurer

SUBSIDIARY MANAGEMENT

Central Silica Company — Arthur F. Harrison, President

T&B Foundry Company — Frank P. Gill, President

Toledo Overseas Terminals Co. — Fred R. White, Jr., President

Canadian Ferro Hot Tops Limited (Canada) — Renold D. Thompson, President

Silloc Limited (Canada) — Fred R. White, Jr., President

Pochteca, S. A. de C. V. (Mexico) — Benjamin P. Cooper, Administrator

OGLEBAY NORTON COMPANY

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Pochteca, S. A. de C. V.
Apartado Postal 41-586
Mexico 10, D. F. Telephone 570-26-47
Cable Address: Pochsa — Mexico, D. F.

Silloc Limited
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T&B Foundry Company
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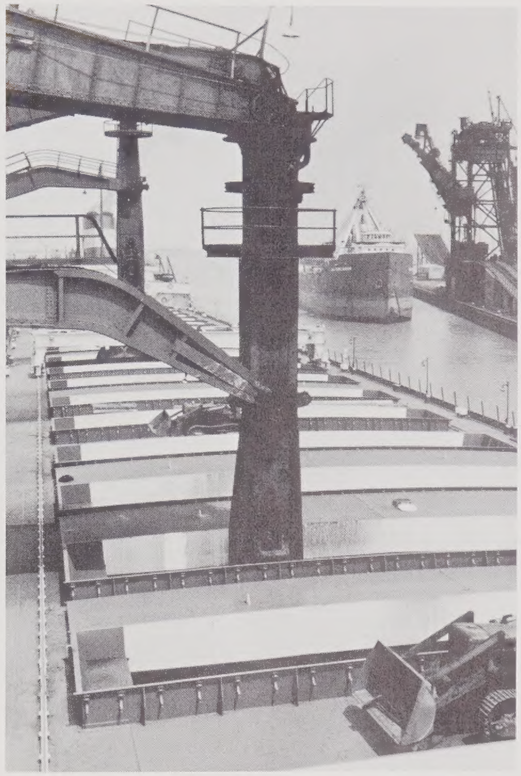
Cleveland, Ohio 44104 Telephone (216) 391-4200

Toledo Overseas Terminals Co.
Box 306, Presque Isle, Station "A"
Toledo, Ohio 43605 Telephone (419) 726-2605



Hulett at an ore dock in Toledo unloads taconite pellets from Steamer Armco.

TRANSFER AGENT AND REGISTRAR

The Cleveland Trust Company Cleveland, Ohio

COUNSEL

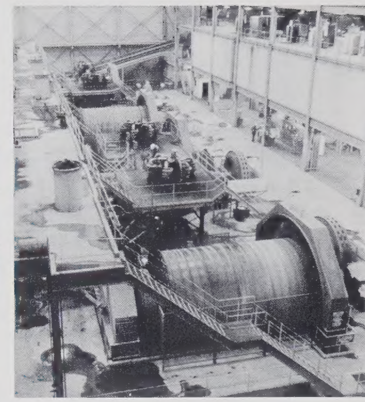
Thompson, Hine and Flory Cleveland, Ohio

ACCOUNTANTS

Lybrand, Ross Bros. & Montgomery Cleveland, Ohio

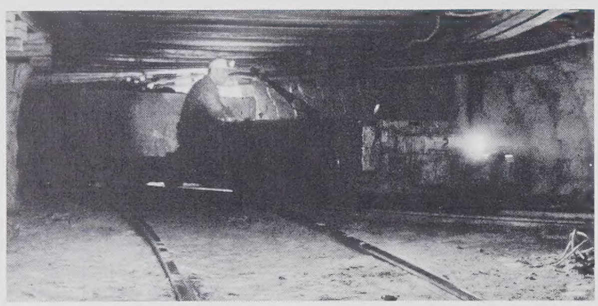
OGLEBAY NORTON COMPANY

Transportation
Columbia Transportation Division



Mining — Iron Ore
Eveleth Taconite Company

C&D Hot Tops
Ferro Engineering Division



Mining — Coal
Norton Mine

Dock Operations
Bay City Seaway Terminal

Raw Materials — *Fluorspar, Spiegeleisen, Celestite, Phosphate Rock, Degasifiers.*

Gray Iron Foundry Operations
T&B Foundry Company

Mining—Quartzite and Industrial Quartz Sands
Central Silica Company

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